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Sherman Corporation

Title:

**41 specific instances of
profit-building**

Place:

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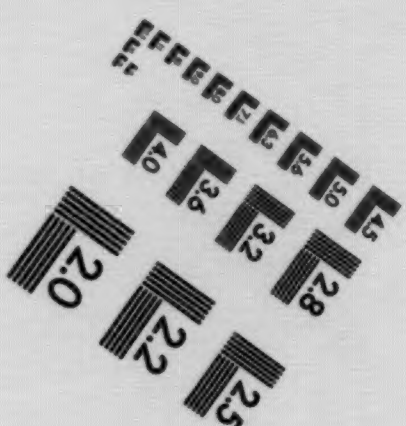
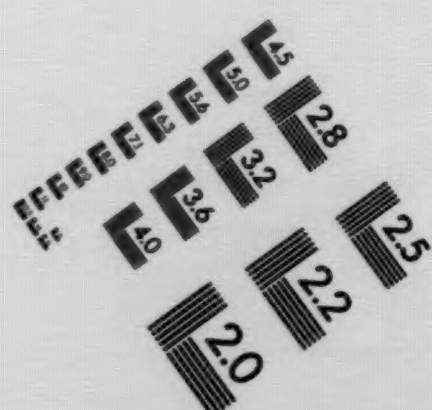
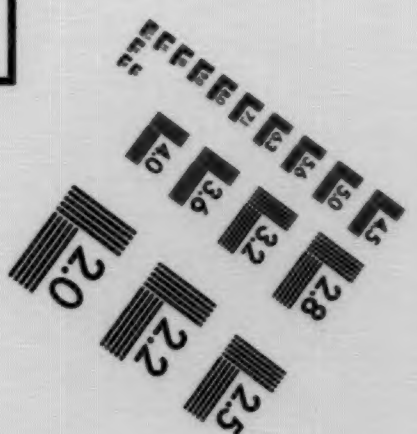
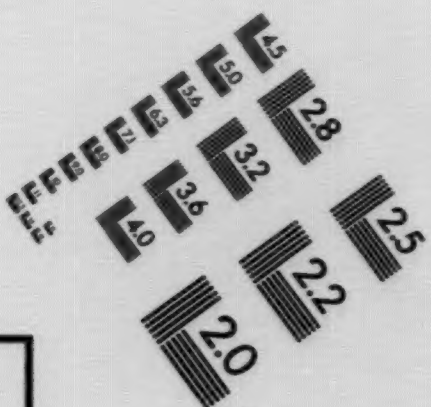
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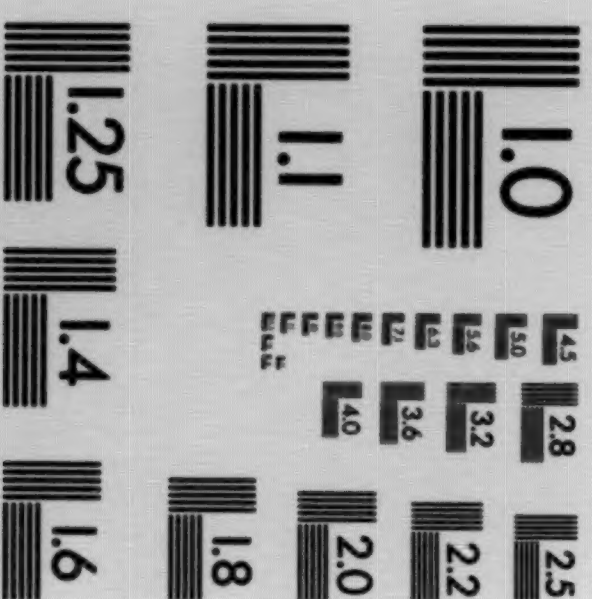
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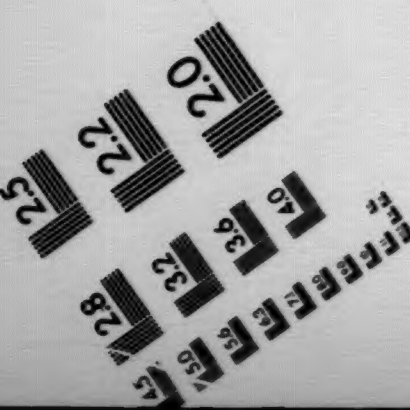
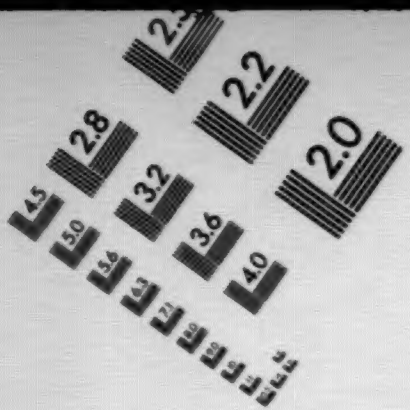
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BUSINESS

CASE STUDIES
of
41 CORPORATIONS

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41

SPECIFIC INSTANCES
OF PROFIT-BUILDING

•

Effected During
the Present Economic Cycle

By

THE SHERMAN CORPORATION
MANAGEMENT • INDUSTRIAL • PRODUCTION • SALES
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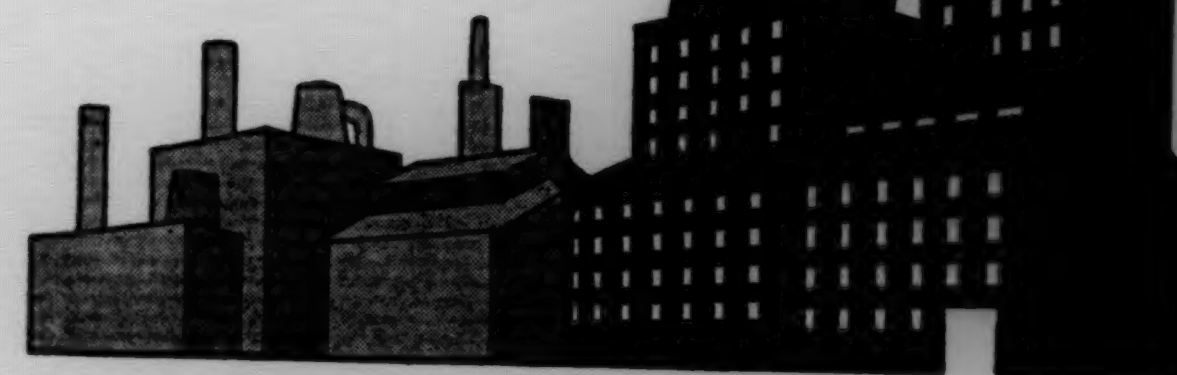
March 16, 1932
D. A. H. E. E.
M. A. H. E. E.
G. S. P.

"....all dating since
January 1930"

Nothing so quickly lays bare the factual framework of industry as a period of depression. So, in meeting and beating the conditions that have confronted us during the past twenty months, many businesses have trained down to fighting weight and strength. They have burned away the fat of sentiment and causeless optimism. They have focused the lens of criticism on their own internal organism. They have built and corrected—so that they might survive.

Many have called in outside counsel to put them into fighting trim; and in the subsequent conditioning, gained much. But so did their trainers. In the battle to sustain profits these engineers saw old traditions discredited, unsuspected flaws uncovered, new and vitalizing methods installed. And, armed with new facts of current significance, they grew as they worked to a new command of the factors that *build up and hold up profits*.

The forty-one cases briefed in this book, form a guide to the methods pursued by businesses in weathering profit-sapping periods. The letters quoted are all dated since January, 1930. This is a collection of **FACTS** unearthed and applied by The Sherman Corporation in its recent work in behalf of clear-sighted business enterprises. We believe that it conveys an interesting picture of *business building* under almost every conceivable condition and in many varied industries.



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CASE STUDIES OF 41 CORPORATIONS

Case No. 1

PLANT EXPANSION DOES NOT ALONE PRODUCE OPERATING ECONOMIES

Three years ago a manufacturer of air planes found it necessary to enlarge his production facilities 150%. New space was acquired. Machinery was bought and installed.

Naturally, with increased output it was expected that lower costs would result. In this case, it did not. Management sought the opinion of outside engineers for enlightenment, and The Sherman Corporation was employed.

The engineer's investigation reported that—plant space was ineffectively utilized and uneconomic control and coordination of producing activities and personnel were the principal troubles.

A general plant reorganization ensued. Equipment was realigned. Supervisory responsibilities and authorities definitely placed. Manufacturing was soundly planned and controls installed. Centralized storage facilities were established, and methods adopted to control the receipt and issuance of material. Standard bills of material for all ships were developed.

The net result of the engineers' work was a reduction in costs of over \$200,000.00.

The moral of this case study is: Utilize the industrial engineer's broad experience and knowledge before, not after, the plant expansion requirements have been installed.

"Well pleased," says this manufacturer in a letter to The Sherman organization, from which the following is excerpted:

"With reference to your letter of January 6, we wish to advise that we were well pleased with the results obtained by the services of your Company in helping us work out our production problem."

CASE STUDIES OF 41 CORPORATIONS

Case No. 2

HIS PRODUCT WAS SUPERIOR BUT HE DIDN'T KNOW IT

A manufacturer of carbonated beverages a few months ago wrote, "We are making a small net profit each year, yet I am not sure that the way we work is exactly right." Quite a courageous admission for a top executive to make.

The invitation to "show us how" was accepted by this organization. An intensive investigation of the company's selling, merchandising and distributing methods ensued.

The investigation proved conclusively that:

1. The product possessed superiority.
2. Selling costs were excessive due to:
 - (a) coverage of illogical areas.
 - (b) no distinction between profitable and unprofitable accounts.
 - (c) lack of organized dealer assistance.
 - (d) deficient selling ability of salesmen.
 - (e) failure to properly interpret to the jobber and consumer the outstanding advantages of their product.
3. Selling policies and methods needed refocusing.
4. Greater sales were obtainable by coordination and concentration of all activities.

On the basis of these facts, a revised selling, marketing and merchandising plan was drawn up and controls established to facilitate effective direction of these functions.

This organization is still counseling with this manufacturer and the whole organization is now "up and coming." The new conception of the outstanding qualities of the products as revealed by the investigation, injected new life, enthusiasm and confidence in the entire organization.

In reply to an inquiry from an outsider, this client states:

"We retained The Sherman Corporation not only to make us a sales survey and report, but also retained them in a consulting capacity for a minimum period of six months, and perhaps we will keep them for the entire year.

"The report discloses so many things that require action one way or the other that really their services in performing these actions and following through on the suggestions made in the report are fully of as much importance to the client as the report itself."

CASE STUDIES OF 41 CORPORATIONS

Case No. 3

HOW COMPETITION WAS MET

'Twasn't magic; just the application of plain engineering principles that enabled this stove manufacturer to meet competition. It was done by the very practical method of reducing cost of manufacture by 24.7%.

Competition with its satellite, depressed price levels, have ruled the stove industry for many years. The condition has been aggravated considerably by the uneconomically low prices asked by certain manufacturers who invariably are ignorant of their real costs. True, they don't last long. A flea doesn't either—but in the meantime, one can cause a lot of annoyance; a swarm will make life miserable.

Under such circumstances the importance of such a substantial cost cut will be readily appreciated.

It was accomplished by corrections made in the production flow, inauguration of new manufacturing and inventory controls, determination of machine parts which were unprofitable to produce, arranging for purchases on a more economical basis, and by the installation of incentive methods of wage payment.

The 24.7% reduction in cost resulted in actual savings to the company of over \$100,000 per year.

The following extract taken from a letter received from the client expresses complete satisfaction:

"We have your letter of the 22nd and beg to advise that we are entirely satisfied with the work done by your organization for us."

CASE STUDIES OF 41 CORPORATIONS

Case No. 4

REORGANIZATION BRINGS DAYLIGHT

For several years the earnings of a manufacturer of engraving machinery and equipment had been steadily dipping. The condition was urgent when he called in the engineering aid of this organization.

A casual examination of the business quickly determined the causes of the trouble. "You have too much plant for the volume of your business. Man power is excessive. Management has been pursuing a policy of taking the line of least resistance, rather than directing in accordance with modern practices." These were the recommendations the engineers reported.

After a full discussion with directors, banking and local interests, the management of the business was delegated to the Sherman organization.

A complete re-organization ensued. An unusual method was devised for acquiring an additional \$200,000 working capital. Executive personnel authorities were definitely established. Manufacturing operations were coordinated and concentrated. Products were re-designed on a more saleable basis. Sales activities were completely revamped in the light of market and consumer needs.

The business has been able to weather the depression period and is, despite the adverse conditions, now showing an upward curve for the first time in many years.

Appreciative of our assistance, the following letter was written us:

"You might be pleased to know that it was the unanimous opinion of the five directors that your services as managing director of the . . . Manufacturing Company since the 7th of August, 1929, when you took charge, has been exceptionally efficient."

"One of your outstanding traits has been the fact that, while you had a certain optimism, you made none of the rash promises that occur so frequently when an outside management is called in to assist a floundering organization."

"Another thing that appeals to the writer is the fact that you have the happy faculty of selecting the proper man for the proper job."

"I have been authorized to inform you that we are highly satisfied with your work and will be only too glad at any time in the future to recommend your management."

Case No. 5

MANUFACTURING COSTS CUT \$92,000.00

"Our machinery is the last word in paper manufacture. We think our methods are holeproof. However, we're open-minded; there's the plant, look us over and tell us what you think."

This picture was orally painted to a member of this organization by a leading manufacturer of tissue paper. The invitation to look the plant over was accepted. "There are possibilities for improvements which in dollars and cents, are of sizable proportions," was the answer. The suggestions as to improved procedure seemed sound and an engineer was put to work.

Flow charts were drawn up. Instances of back-tracking were revealed and corrected. A few changes in layout and planning effected a smooth, continuous flow. The installation of a wage plan based on output and quality of output, set incentives to turn out more and better work. Mechanical adjustments were made and new material handling equipment installed. Weak fibres in the cost system were strengthened. Quality of products were improved. The net result being a total reduction in costs of manufacture of \$92,000.

This company has retained us for specific and varied engineering requirements intermittently during the last ten years, which is the sincerest proof of satisfaction.

Here is extract of what this client of 10 years stated:

"Am very pleased to advise you that we have been very much pleased with the work which you have done for us in the past and it was for this reason that we sent for you last August to obtain your aid in making a survey of our paper mill and, naturally, we anticipate that you will do as good a job for us here as you did in our converting plant a year or two ago."

Case No. 6

REVITALIZING ENTIRE ORGANIZATION SOLVES DIFFICULT PROBLEM

A manufacturer of a nationally distributed and branded food product was confronted with serious problems, effecting product, policy, and price. Engineers were called in and after thorough analysis drew the following conclusions:

- (a) The product is highly meritorious and use can be considerably augmented by proper distribution tactics.
- (b) The policies under which the company operates possess weaknesses.
- (c) Prices are controlled primarily by a certain competitive article whose use is as old as humanity itself. This entails close attention to costs to provide for the frequent price variations.

Further investigation determined that the three problems could be grouped under one focal objective—the creation of organization consciousness of the relation between effort and profit.

The objective was accomplished by: (1) A divisional sales policy. Thus, results were reported on a point system bearing direct relationship to profits, and sales compensation was paid directly in proportion to profit earned by each salesman; (2) A salesman-driver plan of distribution. This gave a much closer company-dealer contact, hence understanding, at a greatly reduced cost to sell; (3) An entire re-organization of office functioning which effected improved service by means of coordinating sales activities with factory and shipping operations.

In addition to these bracing-up operations of sales and office procedure, manufacturing was standardized and a group incentive plan initiated. A complete cost system was also installed.

The engineering resulted in determinable reductions in costs amounting to \$70,300.00.

Expressing his satisfaction, the client writes:

"We have your letter of January 13th which refers to service rendered us by your Chicago organization in various capacities during the past few years, and are glad to acknowledge the benefits derived.

"In each instance you were able to reach the principal objectives for which your service was employed, resulting in the realization of our expectations, and at the present time reviewing the work performed, we consider results satisfactory.

"Should we again be in the need of similar service, we will certainly get in touch with you."

CASE STUDIES OF 41 CORPORATIONS

Case No. 7

MEETING FOREIGN COMPETITION BY LOWERING COSTS

A Canadian radio manufacturer was being out-traded by foreign competition. It puzzled him, for he could not conceive how goods could be imported over the tariff wall and sold at lower prices than his domestically produced goods.

He called on the engineering assistance of this organization to help him work out the problem.

The first step was a thorough investigation of manufacturing. These weaknesses were unearthed:

- (a) Certain parts were being manufactured which could more profitably be purchased from subsidiaries in the U. S. A.
- (b) The manufacture of cabinets was unprofitable and should be contracted for outside.
- (c) Many faulty practices existed in manufacturing flow due to improper layout, scheduling and routeing.
- (d) The method of paying wages was not conducive to efficient and reasonable output by workers.

With the causes of the problem uncovered, it was soon possible to effect the correctives. Arrangements were made for the purchase of the unprofitable parts from subsidiaries. A most satisfactory connection for buying cabinets was formed.

A planning department was established which routed and scheduled all work. Material controls were set up. The layout was corrected and straight line production effected. Necessary new equipment was purchased and installed.

The new alignment resulted in a production increase of 38%, and a payroll reduction of 42%. To meet the underselling tactics of foreign competition, these improvements placed an additional \$78,000 margin on which to operate.

This client writes:

"It was gratifying to note that this work was completed within the time specified in your preliminary survey and that the results obtained were considerably in excess of the amount outlined in your analysis.

"One of the factors we appreciated was the ability of your organization to coordinate with our staff and develop a cooperative spirit throughout the plant.

"The amount involved in retaining your services has been realized many times over and we will be only too glad if circumstances warrant it in retaining your services again at a future date."

CASE STUDIES OF 41 CORPORATIONS

Case No. 8

A COMMUNITY HAS AN INDUSTRIAL AWAKENING

Three years ago a certain community in New England had done little in the way of industrial expansion. At that time the competition among communities for new manufacturing plants was particularly keen. The enthusiasm which prompted this New England city to join the race was whetted considerably by the findings of a brief survey, made by a member of our organization, for a large rayon manufacturer who was interested in finding a suitable new location.

A community is not a thing that can be wrapped in a pretty package and merchandised, as is an ordinary product. The full facts as to its advantages—transportation, labor, raw materials, water supply and quality, market area, climatic conditions, etc.—have to be amassed in intelligent manner—so it was decided to retain this organization to make a complete survey.

The report which was prepared as a result of this study was based on cold facts as perceived by the impartial investigators. The community's advantages were lucidly and thoroughly presented, as were its disadvantages, for it was impressed on the individuals fostering the movement that only those industries whose characteristics and requirements dovetailed with the facilities the community had to offer, should be encouraged to locate.

The merits of this engineering accomplishment have been attested to, not only by the community itself, who incidentally have given the report due credit in the acquisition of several large plants, but by many authorities whose identity with community development activities make them especially well qualified to judge.

The letter from the chamber is interesting:

"Last night I was at . . . as they had asked me to come to speak upon the subject of an Industrial Survey and what it had done for . . . I unhesitatingly criticised many of the surveys made by other corporations and tried to be specific in my statements and claimed that our survey as made by you was superior to other jobs.

"We would not have secured the . . . Electro Metal Corporation for our community if it had not been for the survey made by The Sherman Corporation. We also expect to have a formal announcement made within the next thirty days, by a large corporation in America, stating that they are going to establish a large factory in . . . Toward the successful end of these negotiations, The Sherman Survey aided very materially.

"These concrete examples will, I hope, best answer your question, rather than for us to merely 'say something nice.'

" . . . has secured quite a number of industries these last two years and the survey has made our work very materially lighter."

Case No. 9

THE ERECTION OF A NEW PLANT WAS OBIATED

A manufacturer of paper boxboard was weighing in his mind this problem—"My manufacturing costs, due to unusual distance between departments in the several buildings, are excessive. Would it profit me to erect a new plant?"

"We've tackled many similar situations with astounding results," the engineer suggested, "perhaps we can work something out for you on this one."

The arrangement to go ahead was made. A complete engineering study of existing conditions showed that the problem was solvable by the installation of an up-to-date transportation system, and by strengthening certain manufacturing weaknesses.

The transportation system recommended by the engineers was installed. Duplication of material handling was eliminated. A foremen's training conference plan was installed. A patrol system for the Beater Room employees was inaugurated—an unprecedented procedure which in itself cut labor costs in this department by about one-half—and other defects in the production procedure were corrected.

The results obtained removed from the mind of management the query regarding the construction of a new plant, for costs were lowered to the extent of \$143,439.65. This does not include savings by reason of obviating considerable investment in new brick and mortar.

The client writes:

"We are pleased to say that we are glad that we got started with The Sherman Corporation, as we have received many benefits from our association with your company."

Case No. 10

"AM I ON THE RIGHT TRACK?"

Tradition did not influence this manufacturer of chinaware. The business itself has a background of nearly three hundred years, its inception dating back to the early eighteenth century in the famous pottery region of Shropshire, England.

He wanted to get an impartial opinion as to the correctness of his present selling and marketing methods. A merchandising investigation was decided upon. "This," he said, "will tell me whether I am on the right or wrong track."

After an intensive study of competitive methods, of consumer opinion of the products, of the reactions of the agents who handled his ware, and of the existing policies of the company, the engineer's report listed these three outstanding observations:

1. "You have continued to market your products through the instrumentality of manufacturers' agents, notwithstanding the fact that your principal competitors have for a long time been going direct to the trade. The close association which this form of distribution affords is invaluable, particularly from the standpoint of your product and its development."
2. "Sales management is a weak spot in your business. This is evidenced by the fact that your selling expenses have increased 56% during the past five years, while sales volume has only increased 12% during the same period."
3. "There is opportunity for decided improvement in the decorative phase of your product."

These were the three principal factors of concern, all of which, with many others, were amplified in detail and as to corrective measures in the report. The facts presented determined for him a definite line of action and the necessary realignments are actively being put into effect.

Of the results, the client writes:

"About five months ago we employed the services of your corporation to make a thorough investigation of our sales and methods of distribution. After very careful study and exhaustive investigation along lines above mentioned, your company submitted to us a very full and comprehensive report covering the entire situation.

"We are very well pleased indeed, with the results of the work up to date as all things pertaining to this work has been entirely satisfactory."

Case No. 11

LOWER PRICES WERE NECESSARY

A manufacturer of snap fasteners, clasps, buckles and slides for clothing and footwear, was faced with many demands from customers for lower prices. His margin of profit was not exorbitant. However, in view of declining prices for the commodities produced by the consumers of his products, he felt that their demands were justified.

It isn't an easy matter, at times, for management to make changes that will result in cost reduction. Nor was it in this case. This manufacturer was baffled—he recognized the need for engineering assistance—for the outside analyst's point of view.

As frequently happens, the close proximity of management to general conditions places it at a disadvantage to uncover almost obvious defects. It was so in this case. A preliminary study developed:—that no centralized authority was established in regard to purchasing, methods of compensation, general sales routine or plant supervision.

Productive working space in the factory offered possibilities for greater utilization by proper storage of materials. A large number of machines which were quiet continuously throughout the day, could be kept active by adequate planning, scheduling and routing of production, and by adequate provision for machine maintenance.

And a simple but complete stock control would solve many of the problems which directly affected production and costs. A slight adjustment in plant layout, improvement in inventory control and the installation of wage incentives, would further contribute to results.

The correctives that were developed and installed, made possible a substantial reduction in the price of this client's product, and yet without narrowing the profit margin, as the net savings were calculated at approximately \$44,652.00.

The client in voicing his appreciation, writes:

"Your work has been constructive—your suggestions and efforts have been practical and have contributed towards a greater efficiency, which will be more realized as the returns from these advancements become apparent in cumulative savings on cost."

"Your recommendation for better machine maintenance, system, wage incentive, etc., are being applied and enlarged continually."

Case No. 12

A BUSINESS PROGRAM IS AS STRONG AS THE "FOLLOW THROUGH"

The "follow through" in a business program is just as important as the "follow through" in a drive off the golf tee.

A manufacturer of hardware found his business volume constantly accelerating, but the gain was neutralized by a constantly receding profit position.

At a loss to determine the causes, he called in merchandising engineers. The objective outlined was to set-up for him a definite line of procedure, as he was confident he had in his organization the resources capable of successfully following through on such a program.

After close scrutiny and study, the weak spots were determined and methods laid out for their elimination. These concerned plans for (1) reducing credit losses in specific territories; (2) reducing bank borrowings by better use of capital and closer buying to actual requirements; (3) reducing the number of classified items; and (4) more profitable sales through newly determined channels.

That this client did learn to "follow through" is conclusive enough, for in one year and a half after our plan was installed, bank borrowings nose-dived from over \$600,000 to less than \$78,000, and costs of operation were cut by \$40,000 a year.

It isn't surprising, therefore, that this manufacturer expresses his satisfaction, in these words:

"The service you rendered us in August, 1929, was splendid. Your two representatives handled all matters in an efficient and satisfactory manner. We hope to reap the benefit of considerable of their work this year."

Case No. 13

NOW CONVINCED OF VALUE OF OUTSIDE HELP

Skeptical at first—he is now convinced of the value of sound industrial engineering principles.

In this particular plant, manufacturing high grade boxboard, an important problem existed in the handling of from sixty to seventy-five thousands of tons of sulphite and waste pulp, which represented one of the largest items in manufacturing costs.

Engineers were employed to develop methods that would reduce the cost of handling this material.

The solution was achieved by simple corrections which management, from its closeness to the problems, was unable to evolve. It merely meant the revision of the material flow lines; new methods of handling materials; a wage incentive plan to employes, basing remuneration on the tonnage handled.

These new methods resulted in cutting material handling costs thirty-three-and-one-third per cent.

This work was performed without interfering in any way with normal operations. Instead of encountering opposition on the part of workers, as management suspected at the start, a spirit of cooperation developed which has carried through to this day.

The client confirms his gratification as follows:

"Since the completion of this work we have effected a very nice saving in the handling of both our raw materials and finished product. We are particularly pleased with the way in which your organization handled this work in that the systems were installed in a very diplomatic manner and have resulted in not only increased efficiency but in a better spirit of cooperation among our employees."

Case No. 14

BUILDING UP TO PROFITS

A manufacturer of bolts, nuts and rivets, sent for a member of this organization to talk over his situation. "My sales show little variation year by year," he said, "yet profits have been steadily slipping until we are now in red."

It was agreed that an exhaustive investigation of the entire business was necessary to provide a basis for constructive action.

The study unearthed, among other things, that sales effort was being stretched over too wide an area with the result that the more profitable nearby customers were being neglected.

The rise in returned goods, it was found, had increased eight-fold during the last four years, indicating a drastic need for tightening up on manufacturing and inspection methods.

Sales expense had risen from 2.3% in 1926 to 6.9% in 1930, showing a definite need for better selling tactics.

Territories overlapped and salesmen were duplicating effort. Faulty methods of submitting quotations were resulting in the loss of much profitable business. Jobbers were called on and the necessity for an aggressive manufacturer-jobber cooperative plan was established.

With the array of facts and problems presented by the investigation, the directors of the company quickly decided that immediate action was necessary. Management acknowledged it was incapable of coping with the situation. The Sherman Corporation was asked to assume management and reorganize.

The degree of results as appraised by the client is expressed as follows:

"Confirming the remarks which I made before the Board of Directors concerning conditions as I have found them since The Sherman Corporation has taken over the management of this company, I wish to state that I am indeed gratified with the progress that has been made. Your report was lucid and comprehensive and presented conditions as they actually are."

"I did not think it possible that in so short a time conditions could change so materially. Personally, I have been benefitted greatly by being able to follow the policies as set down by The Sherman Corporation."

Case No. 15

THEY THOUGHT THEY COULD DO WHAT THE ENGINEERS DID

Actually, there are two case studies included in this one—one, of the operations of a business and the other, of a rather peculiar personnel reaction.

The business case will be discussed first. A manufacturer of stoves and furnaces was finding it difficult to stabilize production. It wasn't a seasonal variation but the load variation was jagged week by week.

Engineers took the problem in hand.

A cursory study analyzed the problem and attributed the causes to: lack of control of certain functions, inadequate material control and improper plant layout.

These various defects were corrected. Production was speeded up. Costs were cut, which in labor alone amounted to 15%, reflecting in increased productivity per man.

To complete the stabilization objective, engineers tackled certain problems in the plant of the primary supply source, since it was proved that uneven deliveries therefrom were retarding manufacturing operations in the client's production line.

The solution of this variable production problem was fully realized.

Now for case No. 2—the personnel aspect. After a meritorious engineering accomplishment 'tis not unusual for a supervisor or some ranking employe to remark that—the engineers did nothing they (themselves) could not have done. Fortunately, in this instance this reaction came after the work was done rather than before. The mere fact that engineering organizations have accomplished marked results in the best managed business, proves the value of the outside viewpoint when based on experienced analytical judgment.

Such a situation is vividly depicted by the following reproduced letter from the client, who is the subject of this case study:

"I am delighted to tell you that we are more than pleased. Formerly, production was very uneven—not only seasonable variation but from week to week. Now, we are getting a steady and even current. The relationship of pay-roll to value of the goods finished has shown a decided improvement. We figure a decrease of at least 15% in the labor cost.

"One of our important foremen said—'we could have done everything these fellows did,' but I told him—'certainly you could, but you've been around here for twenty years and didn't do it!'"

Case No. 16

LOCAL INDUSTRY GETS DIRECT AID FROM CHAMBER OF COMMERCE

While coal was the basic fuel, the prosperity wave in a certain Pennsylvania community rolled along rhythmically. The development of petroleum, natural gas and hydro-generated power, however, brought with them serious problems. Mining activities slumped, purchasing power took a nose-dive. An army of jobless sprung up. The local Chamber of Commerce viewed the situation with anxiety. The only way to meet the problem, they decided, was to actively concentrate on developing other industrial activity.

There were many substantial manufacturing enterprises, but a number of them, too, had seen fairer days. Our organization was called into consultation and asked to look over a number of these businesses. We found that many concerns had gone stale and were not in step with changed conditions. Modern principles of business conduct were developed for a number of them. In other instances, active engineering collaboration in establishing economically sound manufacturing, selling, merchandising and marketing plans helped save these businesses for themselves and for the community.

Some businesses that were showing signs of crumbling were rehabilitated, profits built up and payrolls swelled.

This is typical of the possibilities for development from within a community, as contrasted to the general assumption that community development primarily must come from without.

As an expression of recognition, the President of the Chamber wrote us as follows:

"I read to the Board the excellent report you sent me.

"Let me take advantage of this opportunity to say that we are very much pleased indeed, with the way Mr. has handled and is handling the affairs of the company."

Case No. 17

IMPROVED MANUFACTURING PROCEDURE
SAVES \$96,172

A manufacturer of forged steel found it necessary to effect cost reductions to meet falling market prices for his products.

He considered it better judgment to get outside assistance, not only for the new viewpoint but also because the necessary improvements would be made in much less time than if he were to attempt to do them himself.

Engineers from this organization were employed. Their preliminary study lined up these objectives: the improvement of quality of the product; better methods for maintenance of equipment; development of supervisory force and workers, coincident with the establishment of group wage method, and a plan for acquiring suggestions from employees.

All of these objectives were accomplished and the net savings resulting from the reductions made in costs, amounted to \$96,172.00.

The client says:

"In response to your letter of the 7th inst. would advise that the services which your company rendered us were satisfactory."

Case No. 18

HOW A SALES ANALYSIS DETERMINED MANUFACTURING PROCEDURE

A thorough engineering analysis of a stove and furnace manufacturing business suffering from lack of profitable sales, uncovered among other things the following four outstanding facts:

1. Although the market for gas furnaces has declined 41% during the past six years, the company's sales have fallen 57.5%.
2. The farming areas continue as the best markets for stoves since 74% of the farmers still use stoves for house heating.
3. That 2.95% of the accounts comprise 40% of the total volume, and that 86.5% of accounts produced only 23.5% of sales.
4. Of the 48 different models of furnaces manufactured, 7 models netted 79% of total furnace sales, while 41 models brought but 21% of the business.

With these facts established the company began reorganizing. New marketing and selling plans were developed. Sales territories and salesmen's quotas and routes were re-charted.

Manufacturing methods were improved, unprofitable lines were discontinued, and production put on a more steady basis. Production was standardized on the ten best furnace sellers.

The business is now beginning to see daylight. It can operate profitably on a lesser sales volume, and is in an enviable position for increased business as conditions in the industry improve. Sherman Management was retained on a consulting basis to help materialize the entire program.

The satisfaction of these clients is best expressed in their own language:

"The objectives set, of installing a production control and cost system together with wage incentive set-up, have been accomplished; and the results have shown that the savings effected are far in excess of the costs of the service."

"Permit me, also, to express my regard for the executives and personnel of The Sherman Corporation with whom I have come in contact during the life of this contract, and also an appreciation for the willingness of all concerned to assist in every way even in matters which occupied considerable time and at a considerable cost, which were not specifically mentioned as a part of the contract but which, nevertheless, were of great value to the company."

CASE STUDIES OF 41 CORPORATIONS

Case No. 19

PRODUCTIVITY UP 40%—LABOR COSTS DOWN 30%

A manufacturer of a highly specialized type of machinery had devised new and improved methods of production. His business had prospered because of capable management. The policy he used, so he said, was to "check and double-check."

Following out his policy, he called in engineers from this organization to double-check on the new improvements. He was gratified that he did.

The client's letter commenting on the engineers' accomplishments is a case study in itself. Therefore, its reproduction needs no further elaboration.

"You will be interested in a resume of the accomplishments that have been made in our shop as a result of the active engineering work done in our plant by your representatives.

"Our manufacturing methods have been very materially improved, operations have been standardized and our men have been placed on an incentive wage payment basis.

"Our records indicate that the productive capacity of our plant has been increased at least 40%.

"Your organization was partially instrumental in bringing about a more rigid inspection of our product, resulting in material saving and bringing about better recommendations.

"We found the engineers assigned to our work were competent from both a practical and theoretical standpoint, and we want you to know that we are very well satisfied with the accomplishments brought about by your work of approximately three months, in our plant. We feel that the results have been as much or more than were promised us in your original survey."

CASE STUDIES OF 41 CORPORATIONS

Case No. 20

HOW AN ALMOST HOPELESS TASK WAS TREATED

"This is an almost hopeless case," was the phrase used by a certain local Chamber of Commerce when describing the affairs of a store fixture and show case manufacturer to a member of this organization.

It was a fair appraisal of the situation as a casual examination revealed. It really took a stout heart to tackle the problem. However, communities do not allow industries to fade out without waging a good fight now-a-days.

Cutting a long story short, the seat of the trouble was a glaring example of mismanagement. Operations were sadly confused. After explaining the situation thoroughly to the parties at interest, this organization was installed to effect a complete reorganization.

Managerial controls were set up which definitely established the relationship between activities and personnel.

All factory work was systematically planned and substantial savings effected by improvements made in layout, processing and methods.

A much needed cost control plan was installed which, in contrast to previous practice, enabled accurate figuring of costs, with the result that business could be solicited on an intelligent basis.

New sales and merchandising plans were evolved.

As to the part The Sherman Corporation played, the client wrote:

"It is only fair that you should know how much the Board collectively and several members individually appreciate the good work done by The Sherman Corporation since the inception of their interest in our much entangled affairs. Your services have proven highly valuable, and if we succeed in bringing this business through the crisis and making it a prosperous industry, no little thanks will be due The Sherman Corporation for having introduced good business methods and high standards of management practice."

Case No. 21

DEALERS AND CONSUMERS SAID—THE PRODUCT NEEDED REVAMPING

A noted economist once said: "If you want to get to the top, you must get to the bottom of things."

A manufacturer of furniture had a problem which he felt could be gotten to the "bottom of," in a more constructive manner, by someone outside of the influence of the organization. He retained engineers to do the digging.

The problem superficially was revealed in vanishing profit due to the slackened sales volume. This resulted in a complete investigation of selling and merchandising methods.

Realizing the importance of the style factor in furniture from the standpoint of antiquarian influence, this was given intense study from the angles of both dealers and consumers. This resulted in an incontrovertible recommendation, namely, "The need for a better dollar value in the product, through better styling and diversified design."

From the selling phase, there were many instances of unsound practices uncovered. To correct them a complete plan was drawn up, embodying reorganization of sales personnel, territorial allotment, sales direction and a procedure for enlisting the services of more productive dealer outlets.

Acknowledging the engineering work as "practical and constructive" the client wrote:

"Upon the review of your report covering our merchandising activities we take this opportunity to state that same has been complete and has brought forcibly to our attention the problems that exist in our organization and we make no hesitancy in thanking you for your service and cooperation with us."

Case No. 22

MASS PRODUCTION DOES NOT ALWAYS PAY

The saying: "too near the forest to see the trees" is aptly illustrated by this instance.

A company specializing in the manufacture of electric motors had a production problem which was reflected in high costs—low profit.

The management considered, and generally was in accord, that its plant was operated on a basis of efficiency comparable to the best.

The trend for motor manufacturers, however, like in many other lines, was toward mass production, and this client thought that perhaps this was their case. A thorough study was made of the business—competition was considered and the particular niche which this company filled in the industry was carefully investigated, after which we gave it as our studied opinion that they should continue in the manufacture of special motors.

However, it was possible after an examination by engineers of this organization, to prove to them that there were weaknesses in their production line.

The principal problem concerned the proper coordination of manufacturing with thousands of specifications which, combined, represented an almost infinite variety. Furthermore, specifications were extremely close, which necessarily entailed a high degree of precision in workmanship.

The solution was evolved through better planning and procedure. The results of these accomplishments were measurable in a 60% increase in production, and actual cost reduction of \$34,000.00.

The management was candid to admit that their closeness to operations had marred their vision, in these words:

"The principal thing, I believe, that The Sherman Corporation did for us, was to awaken our own organization to a realization of what can be done by better and more efficient operating methods. I believe the fact that we brought in an outside organization to show us some of our weaknesses, put all the men on their own metal, far more keenly than they had before, to discover these things for ourselves, and present them for execution."

Case No. 23

THEY NEGLECTED THE OLD PRODUCT FOR THE NEW

Thirty-eight years ago a company in Pennsylvania started manufacturing coffins and caskets. A certain amount of surplus plant existed and so, later on, a new line of wood trim was added.

As time progressed, building activity boomed. The demand for trim became active. The coffin business in the rush to fill orders for the building product, was neglected.

Building activity, however, slackened; so did the demand for trim. The whole plant became stagnant.

This was the situation unearthed as the result of an investigation by engineers of this company. The report contained among its constructive recommendations, these proposals:

The casket and coffin business is more stable than is wood trim and this end of the business should be revived.

Faulty procedures in manufacturing were exposed and plans for correcting them presented.

A plan to put management on a plane commensurate with modern economic requirements was prepared.

And more suitable new products were suggested, after due and careful analysis of their adaptability and potentiality. The new and improved plans that were drawn up set the machinery in motion for reviving the business to a profitable basis.

The client was pleased—he wrote:

"I would state that the survey as conducted by your company was satisfactory in every respect and we would not hesitate to again call upon you for any specific assistance when conditions might warrant such service."

Case No. 24

BUSINESS WAS GOOD—BUT THEY CALLED IN ENGINEERS

Business was good, profits satisfactory, dividends were being paid to common stockholders, when this manufacturer of cast iron pipe called in outside engineers.

Management being farsighted, it saw the handwriting on the wall, and did not wait to retrench for the general business readjustment. A ten days' study by representatives of this organization showed proof where worth-while improvements could be made effective in manufacturing procedure. The engineer's recommendations were of such value to the company that officials voluntarily requested that our engineers return for further study of the plant operations; one month being devoted to a complete survey of every existing condition with recommendations for correcting defective phases in plant management.

Two months further assistance resulted. This concerned actual engineering collaboration which effected savings of \$25,000 in the Maintenance Department alone by the following simple expedients:

1. Showing supervisors and personnel the logical way of doing their work.
2. Coordinating operations and proper machinery layout.
3. Installing proper planning procedure, proper control of time recording, material handling methods. Developments and improvement in tool control.
4. Reductions in cost through effecting proper balance between direct and indirect labor.
5. Installation of inventory control in conjunction with a new work order procedure, and the proper establishment of maximum and minimum quantities consistent with modern practices.

These savings are figured on a very low ratio of plant capacity operation and would be much more significant under normal operation.

The client expresses his appreciation thus:

"As to the work done by your company for us at . . ., in the first place I want to say that we have never met more satisfactory men to work with. The work that was done by your company at . . . is very satisfactory indeed."

Case No. 25

THE IMPORTANCE OF FACTS IN ATTRACTING
NEW INDUSTRY

Communities today are finding electric power enterprises willing and forceful sponsors of aggressive industrial development plans.

A power company in New England had interested a large industry in the possibilities of establishing a branch plant in a community on its lines. There was a doubt in this prospective locator's mind as to the advantages of this northern location as compared with a certain location in the south. An impartial opinion was sought.

The essential requirements were—pure, soft water, intelligent labor; certain humidity and climatical conditions. The investigations were made and a concise comparison drawn.

With the facts to present, the power company was able to easily impress the prospect with the economic soundness of locating in the community it had suggested. The report disclosed that in air-conditioning equipment alone it meant a saving of between two and three hundred thousand dollars.

Writes this client:

"The work you did for us was satisfactory in every respect."

Case No. 26

WHAT IS THE BEST COURSE FOR ME TO STEER?

A glass bottle manufacturer was concerned. On the one hand, price cutting tactics of certain competitors had cut deeply into profits; on the other hand, the use of glass bottles was being threatened by containers made of material other than glass. "With this beclouded outlook, what is the best course for me to steer?" he asked a member of this organization.

"From the casual survey of the plant, there are possibilities for decided economies," came the reply. He agreed to the engineering program outlined. A new and improved material-handling plan was installed; deficiencies in various lines of manufacturing procedure were brought up to modern standards, and the establishment of labor controls, solved the problem.

The result of this work returned to him annual savings of \$32,000, which goes directly to bolstering profits, for after all, \$32,000 saved is equivalent to 10% net profit on \$320,000 additional business.

The extract from this client's letter reads:

"We employed The Sherman Corporation to do some work in our factory some little time ago and wish to state that the men furnished us were very thorough, hard-working men and analyzed the situation in our plant very thoroughly and made some good suggestions."

Case No. 27

OBSOLETE MACHINERY HANDICAP TOO GREAT

When occasion warrants it, we say candidly to a client or prospect that we do not believe we can be of help. This is equally true when a condition seems so satisfactory as to make considerable improvement impossible, or where the situation is so bad that even with our assistance, the necessary betterment would be unobtainable.

Here is a case in point:—A manufacturer of knitted goods had been grappling with a serious situation for a number of years—antiquated machinery and practices had made profitable business impossible.

At the suggestion of banking interests our organization was called in to make a complete investigation. After thorough analyses of manufacturing facilities, markets, sales methods and competitors' equipment and methods, the engineers reported:

1. That in order to restore the business to a profitable basis, it would be necessary to inject new capital to the tune of \$350,000 to provide for new machinery to replace the present obsolete machinery.
2. That unless the foregoing sum was immediately obtainable, the business should be liquidated at once, in order to conserve the assets of the company.

The new finances were not available. A receiver was appointed who retained this organization to aid in the liquidation.

The results of the liquidation were gratifying to all. Bank loans were satisfied in full. Unprotected creditors received 90c on the dollar. Stockholders' equity amounted to the entire property and buildings, appraised at several hundreds of thousands of dollars.

After winding up the business the receiver wrote as follows:

"On my appointment as Receiver in Equity for . . . Mills, Inc., with court authority to manage and operate this business, I employed you to take over the management of the property.

"The liquidation, running into several hundreds of thousands of dollars, and involving considerable negotiating, has been very capably conducted. Leasing arrangements for a large portion of the plant were skillfully handled. Operations in the Knitted Cloth and Paper Box Departments were conducted at a high peak of operating efficiency with labor cost at a minimum and a noticeable improvement in quality. Finally, the disposal of the Knitted Cloth Department was most opportune.

"I can recommend The Sherman Corporation to any corporation requiring the services of a high-calibre general management."

Case No. 28

A PROBLEM OF LOW OUTPUT—HIGH COSTS

A national biscuit manufacturer had a problem in its eastern branch plant. On the basis of operations of his other plants, costs were too high and output was low.

He wanted to get the true facts from an impartial viewpoint—so he retained the engineering services of this organization.

A complete examination was conducted, weaknesses were unearthed and corrective plans developed, which included:

- (a) Method of proper control. This was installed and proven successful in three departments, namely: Baking, Packing and Icing.
- (b) Standards were set-up on the basis of 100% operation for each piece of product for each department. This, together with the Shop Standards Method was designed to facilitate more effective management and control by being able to check daily progress.
- (c) A plan for minimizing and disposing of scrap and waste.

With the accomplishment of the foregoing and various improvements suggested in manufacturing processes and methods, a saving of \$70,000 was possible.

So writes the client:

"Your engineers gave us just what we wanted in the way of a general survey which not only confirmed some conditions which we thought existed within that plant, but gave us information that we have been able to use quite advantageously."

Case No. 29

FINDING THE WEAK LINKS IN A CHAIN

A retail drug system couldn't understand why volume continued satisfactory year after year, yet profits dwindled steadily. Management had spent considerable time trying to analyze the problem but the solution was illusive. Sherman merchandising engineers were called in to study the business from the broad viewpoint and make recommendations.

The problem was found to be not one big one; just an accumulation of minor deficiencies in policies and methods which en masse amounted to the proverbial straw that was breaking the camel's back.

Little weaknesses in the various links of the chain were uncovered, in such matters as merchandising technique, lack of coordination between products featured in advertising and products displayed in stores; poor inventory control; inappropriateness of merchandise displayed from the seasonal standpoint.

In some instances store layouts were found to be impractical; the sources used for purchasing were found to be too much in favor of wholesale houses whereas considerable saving could be made by purchasing direct from manufacturers. There were many other minor weaknesses revealed, all of which resulted in forcing profits downward.

Measures were drawn up and submitted to the company which would result in eliminating the faulty practices and at the same time place the business on a satisfactory profit basis. This work was all accomplished without the slightest interference with the ordinary run of business.

Writes the treasurer of that company:

"I am very glad to say that the survey made for us by The Sherman Corporation was very satisfactory indeed. I felt especially pleased at the manner in which the survey was made without in any way disabling the progress of our business and without causing any friction whatsoever in connection with any of our employes. The report which you have made is certainly a comprehensive and illuminating one and I am sure that some of the recommendations which you have made will be very helpful and profitable."

Case No. 30

PRODUCTION METHODS "TIGHTENED"—OUTPUT INCREASED 42%

A certain New England shoe manufacturer was behind in his deliveries. He thought he was straining the resources of his organization and equipment to the limit. This was how he described his situation to a member of this organization.

After a preliminary examination of the plant for the purpose of assuring both the manufacturer and ourselves that he could be helped in his problems, we were told to go ahead.

Operations were then thoroughly analyzed. The weak spots unearthed. And the real work was gotten under way.

A new and improved tag system was prepared and installed which cut the time of completing the recording of orders and the preparation and delivery of tags to the factory from five days to two days—seven operations in the order department and five in the tag department being eliminated.

It seemed good practice to consolidate the stitching departments. So this was accomplished.

Crippled and damaged shoes were excessive. Personal training of workers and improved flow of work in process were effective in reducing these to a minimum.

Activities and personnel were coordinated and proper direction accomplished. Direct labor and indirect labor were brought into correct balance.

These installations and improvements were the primary activities which resulted in a daily increase in production of more than 42%. From then on orders were completed on time.

Management attested the accomplishment, by writing:

"During the time they (The Sherman Corporation) were here we did see some very substantial results so far as production was concerned, especially in our stitching room.

"They also did a very worth while piece of work for us in reorganizing our order and tag departments. This latter work was absolutely necessary and work which would have been very difficult for us to have done for ourselves."

Case No. 31

BUSINESS AUDIT PROVES VALUABLE

Just as it is important to have an accounting audit made periodically, a business audit is even more so, for figures do not control policy and operative procedure:—the one is "cause" and the other is "effect." Examination into the "causes" is of paramount importance, if the figures are to be progressively satisfactory.

A check-up of operations, say once a year, by engineering specialists serves two purposes: (1) to confirm the soundness of present operations, or (2) to divulge defects in operating methods, thus permitting timely corrective action.

Here is a case in point:—a manufacturer of clothing had no particular problem when he engaged the engineering of this organization. He simply wanted to be checked-up on his present operating methods.

It was worth while and profitable, for weaknesses were unearthed, which were simultaneously corrected, concerned with—overlapping of authority, deficient executive control, impractical assignment of duties, indefinite responsibilities, inadequate control over orders—all of which contributed to the general inefficiency of the organization and was especially exposed in tardy shipments of orders.

The slight tightening-up required to restore a smooth running, coordinated organization was inexpensive. It did though, prevent serious conditions from developing which otherwise might have ultimately brought ruin to the business, and at the same time it produced intangible results of immense value, as well as direct reductions in cost.

In the client's own words, he says:

"Your corporation does a wonderful work and is very keen on diagnosing the troubles of a business. The improvements which you suggest are very fine."

Case No. 32

MAKING AN OLD PLANT DO

A manufacturer of carbon paper and typewriter ribbons had developed growing pains. Business had shown steady growth over a period of years until the problem arose as to facilities for future production expansion. This organization was called in to investigate the situation from the two following standpoints:

1. Can present productive efficiencies be increased without installation of additional machinery.
2. How much further expansion can be accommodated within the physical limits of the present buildings.

The report of the investigation indicated that there were many instances for increasing productive efficiency, in some departments as high as 30%. The report continued that: "more production from present equipment cannot be expected under the present straight hourly basis of wage payment."

To meet the situation a "gain-sharing bonus plan" was devised.

The answer to the second problem was conveyed in these words, "insofar as future expansion is concerned, your present buildings afford sufficient space for a 75% to 100% increase in manufacturing activity. Such an increase would be brought about by the installation of additional equipment, the speeding up of present operations, and revising layout of plant and equipment." Thus a contemplated expense amounting in the many thousands was proven as unnecessary and yet it was made possible for the company to expand its production, and on a far more economical basis.

Client writes:

"Their interest and details to questions involved were, we found, larger and more intimate than those of the engineering concerns we have tried heretofore."

Case No. 33

EXPERIMENTS NEED EXHAUSTIVE TESTING
BEFORE ADOPTION

Selling costs were high, so a manufacturer of barn equipment added two new lines of products presupposing that his salesmen's efforts could be expanded to sell the three lines of products at a single selling cost.

The supposition proved incorrect, due principally to the fact that the three articles had three entirely separate markets. Instead of slicing selling costs, the reverse occurred. He was in a quandry as to the next step to take when he decided to call in the merchandising counsel of this organization.

A study of sales by commodities, outlets and customers, together with actual sales calls made with salesmen, threw faulty selling practices and policies into relief. Based on the facts unveiled, plans were instituted realigning the selling procedure, and at the same time giving full weight to the exploitation of the three product lines.

The products analyzed as unprofitable were dropped. New lines were investigated for their adaptability, and desirable additional products added.

Client's reaction was conveyed in a letter thus:

"Perhaps the most favorable statement that we could make at this time is that, after a very careful consideration by executive officers of this organization, we feel favorable toward employing you further to supervise certain phases of our business."

Case No. 34

A CHECK-UP UNEARTHED THE PROBLEMS

Not being sure his methods were right, a manufacturer of refrigerators sought the constructive advice of outside engineers.

After a complete analysis of the business, which included its three plants in various locations, the report was prepared attesting the soundness of the technical principles employed in this product and included specific proposals for: necessary changes in methods of manufacture; suggestions as to compensation and supervision; improvements in purchasing policies; a complete sales program was submitted; provisions for practical inventory methods were made, and suggested improvements in the product conveyed.

The proposals met with the complete approval of the management, which is confirmed in the following words:—

"It might also be well for me to say that The Sherman Corporation is a very high-class and well-managed institution, having at its command some of the best manufacturing and merchandising means in existence. Their information has been very reliable and valuable. They are not only able to lay out your sales, manufacturing and engineering program, but are capable of assisting you to execute it."

"Personally, I should have no hesitancy in employing this organization to carry on such work."

Case No. 35

PRODUCTION COSTS CUT 8c. A PAIR

A casual investigation by an engineer of this organization of a shoe plant in Pennsylvania resulted in suggestions to the owner of worth while reductions in costs.

This he had been trying to do for some time but was unsuccessful so naturally he was impressed and agreed to the proposal made.

The problems were first analyzed thus:

- (a) Because no actual cost system is being used it would appear possible that too high a price was placed on plain shoes and too low a price on fancy shoes.
- (b) The plant is not facilitated to produce the wide variety of styles and patterns being made.
- (c) Due to insufficient production planning and control an excess in manpower exists and the equipment also is not being utilized even approaching normal capacity.

Following the diagnosis the engineers installed a made-to-measure cost control plan. The unprofitable lines of shoes were determined and standardization effected on the profitable lines. A production control plan beginning from the receipt of orders right through to the shipping platform was prepared and placed in operation. The improved methods and training given to workers cut down damaged and defective shoes to an appreciable degree.

The net result of the engineering was a saving of 8c a pair in production costs. On an annual basis of 750,000 pair output, these savings run into real money.

Management was pleased and wrote as follows:

"In reply wish to say that their services to us were entirely satisfactory, and were we again in the same position which we were at the time we employed them, we would again make the same connection."

"At the time we employed these people we had just combined two plants, each making a somewhat different type of shoes which threw a burden on our organization which we were not prepared to handle. Had we tried to work it out with our own organization it would have taken us possibly two to three years to accomplish what they helped us to accomplish in five months. We had found their suggestions for the most part entirely practical and helpful."

Case No. 36

WISELY—THEY SOUGHT AN IMPARTIAL OPINION

The financial backers of a certain food importer, manufacturer and distributor, in the Middle West, were all set for liquidating the business. On second thought they wisely decided to get an impartial appraisal of the situation, though they felt that they were but calling in the coroner.

After a close examination of manufacturing, the markets, selling and merchandising methods, the verdict was reported—"the business has possibilities of revival but a major operation would be essential in doing it."

The ray of hope met support from the group and the restoration work was delegated to the engineers.

A complete readjustment of selling policies and methods was effected; unprofitable sales territories were closed in consequence thereof. Selective selling cut down sales—but profit increased. Managerial preparation and direction were definitely aligned and efficient control established. Improvements in methods of production placed that phase of the business on a paying basis. Operating costs were cut substantially.

The business continues in operation as very much of a going concern. It is actually making money for the first time in many years.

The client voices unequivocal approval of our services in reply to an inquiry, in these words:

"Their services were entirely satisfactory and we can recommend them as an organization thoroughly capable of meeting and solving present day business problems both in manufacturing and merchandising. Our experience justifies this statement as we have found them honest, sincere, capable and worthy of every confidence."

Case No. 37

IT WAS "IMPOSSIBLE"—BUT OUTPUT WAS INCREASED 11.8%

When it was suggested to a certain paper manufacturer that there were opportunities for a marked increase in his output, he said, "It is impossible."

The company had fallen behind in its deliveries, so engineers from this company went in to do the "impossible."

In eight weeks the following accomplishments resulted:

A decided improvement in the method of performing beater operations was effected through personal instruction of beater men and by supplying a more standard furnish.

The speed of the engines was adjusted with a saving factor on power approximating 15%, as well as direct improvement in the operation.

Running speed on No. 1 paper machine was increased from 300 feet to 390 feet per minute.

Waste reduction was effected from 15% to an average of 7% computed on a monthly basis.

A problem of impurities in the water supply with which the company had experimented for several years at a cost running into thousands of dollars, was overcome by the designing and installation of a closed water system, which included chlorine treatment of the water.

The net results of these mechanical adjustments, improvements in methods, and water purifying system increased production 11.8% with a decided improvement in quality.

And so the client wrote:

"In reply to your letter of the 21st with reference to The Sherman Corporation, Managing Engineers, of New York City, wish to advise that we have used their service at various times last year and found their organization to be very capable and efficient. The service rendered was satisfactory and they aided us materially along all lines and we do not hesitate to recommend their integrity and service."

Case No. 38

THE SURVEY FINDINGS WERE RIGHT—SALES UP 65%

A meat packing company with well established products was hampered in its development program by lack of working capital.

As an instrument for arousing the interest of money sources, it was suggested that an analysis be made of the potentialities of the business. The investigation was decided upon and this organization was chosen to make it.

The report covered all phases of activity and personnel. Among the many conclusions drawn from the study, these were pertinent to the objective:

1. The company enjoys an excellent reputation with its customers for service and fair treatment.
2. The products manufactured are of the best quality.
3. The market for the company's products is practically unlimited.
4. The prices paid for poultry by the company are upwards of 15% higher than would otherwise obtain if the company had sufficient working capital to avail itself of the purchasing of poultry in May and June of each year to the extent of about 75% of its yearly requirements.
5. With the necessary working capital, and the accomplishment of the improvements suggested in manufacturing and sales operations, the company could, in a comparatively short time, create a much greater demand for its products and increase sales volume, thus permitting a very satisfactory return on investment.

Thus equipped, the president of the company was soon able to obtain the required new capital. Furthermore, as a result of plans evolved on the basis of facts uncovered by the investigation, a business increase of 65% was registered in the following year.

The president wrote as follows:

"The correctness of your survey has been wholly borne out by the fact that our sales for 1929 were approximately 65% over 1928, and our sales so far in 1930 are well over the same period in 1929. I might add that based on your survey and subsequent developments the proposition appeared so satisfactory that the president of our bank personally subscribed to a substantial amount of preferred stock."

Case No. 39

A SIMPLE FLOW CHART SOLVED THIS PROBLEM

Did you ever try to draw a production flow chart? It is interesting and surprising to note how frequently the result will look like a Chinese puzzle. Operation number one on the first floor, number two on the fifth floor, number three on the second floor and so on—costly double-tracking, and lack of coordination.

A manufacturer of shoe counters, insoles and welts was having trouble getting out work to meet orders. His costs too, were such that profits were very slim.

An engineer from this organization was permitted to look over the plant and report if there were possibilities for improvement in manufacturing procedure. The reply was sufficiently convincing for the manufacturer to agree to embark on the program outlined.

After three months the engineers proved the correctness of their impressions.

A new plant layout was effected. Sole grading and counter grading departments were combined, which permitted closer supervision and proved to be sound practice in view of the relationship of the work.

The positions of other departments were changed, thus permitting work to move directly from the sorting counters to the gluing operation, proceeding therefrom to the skiving and end-clipping operations; the light weight counter to proceed to the canvas department.

Progressive piece work installations were made in the cutting room, gluing and canvas departments, counters and insoles grading departments and on the buffing operation.

It was suggested that the company urgently needed an adequate cost system and the necessary studies were made to form an intelligent basis for such an installation.

Management was both surprised and gratified with the accomplishments, for production was increased from 30% to 70%, and the actual dollars and cents return amounted to more than \$28,000. Here is what they wrote:

"During the period that your representative was with us, we found very congenial cooperation. He did not, in any way, antagonize our organization and from the records and advice left with us, we have profited from our investment with you very satisfactorily."

Case No. 40

MENTAL ATTITUDE CHANGED—BUSINESS SPEEDS UP

An old established retail furniture house was merely holding its own against competition. It was doubtful in the mind of the manager if anything could be done to create buying enthusiasm for furniture.

The owners, on the other hand, were not inclined to agree. Their contention was logical. "The least to expect," they reasoned, "is that our sales should show proportionate increase (competition considered) to the increase being registered in the community's population."

To determine whether the manager's assumption was correct, or whether that of the owner's was correct, was the problem given to merchandising engineers of this organization to solve.

After thorough examination of store operations—display technique, outside selling possibilities, departmentalization of sales, price ranges, consumer reaction and requirements, and budgetary methods—concrete plans were drawn up for progressive future growth.

It developed through actual operating experience, that the manager was wrong in his contention. Furthermore, he proved incapable of the task involved. A new manager was installed who not only pulled the business out of the rut, but created a new conception of good furniture in the minds of the community.

The client commenting on the association with the Sherman organization, in a letter to their consuming public, stated:

"Many of our customers and friends who have visited our store recently, have made complimentary remarks about the remarkable change in the general appearance of our store—in our stock of merchandise, and in other ways have indicated their approval of the new management."

"There has been no change in the ownership of Furniture Company. An arrangement has been made, however, by the owners with The Sherman Corporation, a very large national organization, having in its employ many sales and merchandising executives, to supervise the operations of our business. This locally owned store will, therefore, from now on, have all the benefits of chain store methods and management."

Case No. 41

ORDERS SNOWED THEM UNDER—RELIEF GIVEN

A paper manufacturer was in a quandary. Orders had snowed him under. He had used every resource at his command to speed up output, but with little success.

The engineering assistance of this organization was employed. After careful examination, conclusions were drawn and reported as follows:

Inefficient manufacturing procedure, incorrect wage payment methods, excessive amount of lost hours, were the obstructions.

It was also suggested that the quality of the product could be materially improved.

Without the slightest disruption in plant productivity these improvements and installations were accomplished in the short space of three months.

The results were surprising. Production showed an average increase of 24%. Lost hours were cut 21%. The moisture content of the paper was definitely established between 5% and 7% as against 2% in the pre-engineering period.

And the client wrote:

"The Sherman Corporation did some work for us promising to increase our output, which they did, and at the same time improved the quality of our goods considerably, and so far we are well pleased with results.

"If you are not getting results from your business, which you think you should have, we would certainly recommend your consulting this firm, and have them submit to you a proposition showing what they can do to help you."

BANKING CONNECTIONS

Reproductions of the original client letters from which the excerpts contained in the foregoing case studies were taken, are on file at the following banks:

- (1) MARINE MIDLAND TRUST COMPANY OF NEW YORK
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- (2) FIRST NATIONAL BANK OF CHICAGO, CHICAGO
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B. L. Mitchell, *Manager*
- (9) CANADIAN BANK OF COMMERCE, TORONTO
R. A. Rumsey, *Assistant General Manager*

These banking institutions have not only served The Sherman Corporation as depositories and hence are familiar with the business policies of The Sherman Corporation, but they have become thoroughly familiar with its work for clients, with the results of that work, and the degree of satisfaction it has returned to client companies. They are, therefore, able to give a disinterested opinion regarding Sherman Corporation activities.

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